



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangerter
Governor

Dee C. Hansen
Executive Director

Dianne R. Nielson, Ph.D.
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

April 9, 1991

TO: Board of Oil, Gas and Mining

THRU: Dianne R. Nielson, Director *DRN*

FROM: D. Wayne Hedberg, Permit Supervisor *DWH*

RE: Request for Board Approval, Amount and Form of Replacement Surety, North Lily Mining Company, Tintic Heap Leach Project, Permit Amendment, M/023/007, Juab County, Utah

The Division requests the Board's approval of the form and amount of replacement surety posted by North Lily Mining Company (NLMC), for their Tintic Heap Leach Project, located in Juab County, Utah. On November 29, 1990, NLMC submitted an application to amend their approved mining and reclamation plan. The Division has evaluated the proposal and has determined the revised plan to be complete. The Board approved the original permit application for this project in April of 1988.

The permit amendment involves an expansion of the existing heap leach pad and a minor change to the processing facilities. The footprint of the existing heap will be enlarged by approximately 3.6 acres for Phase 1 of the expansion. Two similarly-sized pad expansions were included as part of the amendment application. Detailed engineering plans have not been developed for Phases 2 and 3, therefore, they are not being considered for approval at this time.

The operator will re-mine a series of older prelaw waste dumps, transport the screened fines to the existing processing site where they will be agglomerated and heap leached. The re-impacted prelaw waste dump areas will be reclaimed to the approximate original contour.

The Division has revised the reclamation estimate to reflect the amendment to the approved permit (Phase 1 expansion). NLMC has provided the Division with a replacement Certificate of Deposit from First Security Bank of Utah in the amount of \$158,900 (1996 dollars). A revised executive summary is attached describing the project amendment. Copies of the revised reclamation surety estimate, replacement reclamation surety (CD) and reclamation contract (FORM MR-RC) are attached for your reference. Thank you for your time and consideration of this request.

Attachments

an equal opportunity employer

0002

DOGM MINERALS PROGRAM

CHECK LIST FOR BOARD APPROVAL
OF
FORM AND AMOUNT OF SURETY

Mine Name Tintic Project

File No. M/023/007

Item	Provided		Remarks
	Yes	No	
Executive Summary	X		Revised 4/9/91 (Permit Amendment)
Location Map	X		
Reclamation Bond Estimate	X		
Signed Reclamation Contract	X		
Signed Power of Attorney/ Affidavit of Qualification		X	Not Applicable
Bond	X		Certificate of Deposit
Surety Signoff (Other State/Federal Agencies)		X	Not Applicable

MN76/12

EXECUTIVE SUMMARY

Prepared April 8, 1991

Mine Name: Tintic Project (Amendment)
Operator: North Lily Mining Company
P.O. Box 421
Eureka, Utah 84628
Telephone: (801) 433-6804
Contact Person: Mr. Grant Pinkerton
Life of Mine: 3 yrs.(originally) + 2 yrs.

I.D. No: M/023/007
County: Juab
New/Existing: Existing
Mineral Ownership: Private
Surface Ownership: Private
Lease No.(s): N/A
Permit Term: Life of Mine

Legal Description: Plant/Heap Site - SE 1/4 of NE 1/4, Section 35, T10S, R3W; North Lily Tailing Dump (Red Dump) - NE 1/4 of NE 1/4, Section 35, T10S, R3W; Mammoth Mine Dump - NE 1/4 of NE 1/4, Section 25, T10S, R3W; Centennial-Eureka Dump - NW & NE 1/2 of NE 1/4, Sec 24, T10S, R3W; Grand Central Dump - SW 1/4 of SW 1/4, Section 19, T10S, R2W; SLBM, Juab County, Utah

Mineral(s) to be Mined: Gold, Silver

Mining Methods: Reprocessing old mill tailings and mine waste rock dumps through cyanide heap leaching extraction methods.

Acres to be Disturbed: 60.4 acres (existing + proposed Phase 1)

Present Land Use: Mining, grazing and wildlife

Postmining Land Use: same as above

Variances from Reclamation Standards (Rule R613) Granted: None requested.

Soils and Geology:

Soil Description: Alluvial outwash fans. Upper soils consist of a sandy clayey silt topsoil. Organic matter within upper 8 inches. Underlying soils predominantly layers of clayey silt to silty clay with interbedded thin lenses of sands, gravels and cobbles. Some discontinuous caliche layers present in upper soils.

pH: 7.4 - 8.7

LOWER
MAMMOTH

Special Handling Problems: Low erosion hazard, very flat topography except for locations of waste rock dumps.

Geology Description: Quaternary/late Pleistocene Lake Bonneville alluvial sediments. Most of the rock in the higher elevations to the east are of Cambrian or Tertiary age. The latter consists mostly of quartz monzonite identified as the Silver City stock and Swansea monzonites.

Hydrology:

Ground Water Description: Groundwater has not been observed at the site. Exploration wells to bedrock showed no water. Nearest producing well (@3/4 mi. to west-northwest of site) intercepted water at 440 foot depth. No adverse impacts are expected.

Surface Water Description: No perennial or intermittent streams are found within the project area. Storm drainage will be routed around disturbed areas to minimize erosion and sedimentation of the project site. No springs or irrigation ditches in the area.

Water Monitoring Plan: Leak detection systems have been installed beneath the heap leach pads and process water ponds. The leak detection system will be extended under the new pad extensions.

Ecology:

Vegetation Type(s); Dominant Species: Typical Pinyon -Juniper community. Big sagebrush, western wheatgrass, rabbitbrush and bottlebrush squirreltail understory.

Percent Surrounding Vegetative Cover: 18.6 %

Wildlife Concerns: Minimal concerns, limited wildlife use, no T & E species.

Surface Facilities: The processing facilities consist of a lined leach pad(s), three solution collection ponds, a Merrill-Crowe secondary recovery plant, office and lab, agglomeration plant and radial stacker. Portable screening facility utilized at waste rock dump locations to separate fines from coarse reject material.

Mining and Reclamation Plan Summary:

During Operations:

- (1) The mining operation will move and reprocess existing mill tailings and low grade prelaw waste rock dumps using a cyanide heap leach process and a Merrill-Crowe extraction circuit for secondary recovery of gold and silver. The total area to be affected/redisturbed through Phase I expansion equals

approximately 60.4 acres (processing area and waste dumps).

- (2) Topsoil will be stripped from new areas to be disturbed, stockpiled and protected from erosion. Reprocessed waste rock dump areas will be stripped down to the original topsoil surface.
- (3) Undisturbed area drainage will be re-routed around the plant facilities area. Disturbed area drainage will be controlled within the project site to prevent offsite erosion and sedimentation.

Following Operations:

- (1) All disturbed areas, including roads and pads, which were constructed, upgraded or used for onsite operations will be reclaimed upon final termination of mining activities.
- (2) Heaps will be neutralized. All buildings will be removed and foundations buried or broken up and disposed of.
- (3) Disturbed areas will be stabilized and regraded to conform with the natural surrounding terrain to the extent possible.
- (4) Stockpiled topsoil will be redistributed over the project area. Original topsoil exposed by removal of the waste rock dumps will be amended as required and revegetated. Standard agronomic practices will be used to prepare the seedbed for drill or broadcast seeding. Disturbed areas will be reclaimed with native vegetative species.
- (5) All equipment and extraneous debris will be removed from the mine site(s) and project area.

Surety:

Amount: \$158,900 (1996 dollars)

Form: Certificate of Deposit (CD# 048-155-1711979), First Security Bank of Utah

Renewable Term: 5 year maturity, automatic renewal

DWH/jb
M023007.1

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/023/007
(Mineral Mined) Gold/Silver

"MINE LOCATION":
(Name of Mine) Tintic Project
(Description) Cyanide Leach Plant

"DISTURBED AREA":
(Disturbed Acres) 60.4 Acres
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) North Lily Mining
(Address) P. O. Box 421
Eureka, Utah 84628
(801) 433-6804 Office
(801) 433-6803 Fax
(Phone) _____

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

Grant A. Pinkerton

P. O. Box 421

Eureka, Utah 84628

(801) 433-6804 Office

(801) 433-6803 Fax

(Phone)

"OPERATOR'S OFFICER(S)":

Anton Hendriksz

Tom Crom

George Holcomb

"SURETY":

(Form of Surety - Exhibit B)

Certificate of Deposit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

First Security Bank

"SURETY AMOUNT":

(Escalated Dollars)

\$158,900.00

"ESCALATION YEAR":

1996

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

EXHIBITS:

A "DISTURBED AREA":

B "SURETY":

Revision Dates:

05/02/88 and 10/24/89

03/15/88 CD # ~~0100~~

03/15/91 CD # ~~0100~~

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Operator and the Board.

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/023/007 which has been approved by the Division under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim the Disturbed Area in accordance with Operator's approved Reclamation Plan and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Notice of Intention, and the Reclamation Plan.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board, which surety is in the form of the surety attached hereto as Exhibit B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Board in writing. If the surety contract expressly provides for cancellation, then, not less than 30 days, prior to the expiration date of the surety, the Operator shall provide a replacement surety in a form and amount acceptable to the Board. If the Operator fails to so provide an acceptable replacement surety, the Division may order the Operator to cease further mining activities and to begin reclamation of the site. In addition, if the Operator fails to so provide an acceptable replacement surety, the Division may call or draw upon the full amount of existing surety prior to cancellation or expiration.
3. Operator agrees to pay public liability and property damage claims resulting from mining as determined by the Board or the Division, to the extent provided in the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, and the Reclamation Plan.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention and the Reclamation Plan.
6. Operator agrees to indemnify and hold harmless the State, Board and Division from any claim, demand, liability, cost charge, suit, or obligation of whatsoever nature arising from the failure to Operator or Operator's agents, and employees, or contractor to comply with this Contract.
7. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.

8. This Contract shall be governed and construed in accordance with the laws of the State.
9. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including attorneys fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
10. Any breach of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Division, or Board, as appropriate, may revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

SO AGREED this _____ day of _____ 19 ____.

APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY _____
Chairman, Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By _____
Dianne R. Nielson, Director

Date

STATE OF _____)
COUNTY OF _____) ss:

On the _____ day of _____, 19 _____, personally appeared before me, who being duly sworn did say that he/she, the said _____ is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledge to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

OPERATOR:

Operator Name: NORTH Lily Mining Company

By Executive Vice President
Corporate Officer - Position

Date 3/20/91

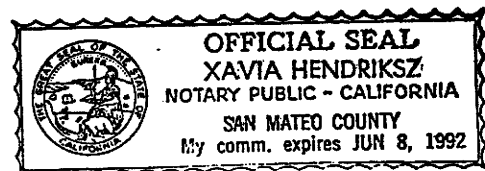
Thomas L. Cron
Signature

STATE OF California)
COUNTY OF San Mateo) ss:

On the 20th day of March, 1991, personally
appeared before me Thomas L. Cron who being
by me duly sworn did say that he/she, the said Thomas L. Cron
is the Executive Vice President of NORTH Lily Mining Company
and duly acknowledged that said Instrument was signed on behalf of said company by
authority of its bylaws or a resolution of its board of directors and said
Thomas L. Cron duly acknowledged to me that said
company executed the same.

Xavia Hendriksz
Notary Public
Residing at: Moss Beach, California

6/8/92.
My Commission Expires:



SURETY:

First Security Bank of Utah, N.A.
Surety Company

By Barbara Butler Account Representative March 15-1991
Company Officer - Position Date

Barbara Butler
Signature

STATE OF Utah)
COUNTY OF Utah) ss:

On the 15th day of March, 19 91, personally
appeared before me Barbara Butler who being
by me duly sworn did say that he/she, the said Barbara Butler
is the Account Representative of First Security Bank of Utah, Payson Office
and duly acknowledged that said instrument was signed on behalf of said company by
authority of its bylaws or a resolution of its board of directors and said
Barbara Butler duly acknowledged to me that said
company executed the same.

Danna R. Hansen
Notary Public
Residing at: Benjamin, Utah

9-14-91

My Commission Expires: _____

NOTE: An affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.

Attachment "A"

(detailed legal description)

Location of Proposed Activities

Plant/Heap Site

County: Juab
Township: 10 S Range 3 W
Section: SE 1/4 of NE 1/4 Section 35

North Lily Tailing Dump (Red Dump)

County : Juab
Township: 10 W Range 3 W
Section: NE 1/4 of NE 1/4 Section 35

Mammoth Mine Dump

⇒ LOWER MAMMOTH

County : Juab
Township: 10 W Range 3 W
Section: NE 1/4 of NE 1/4 Section 25

Centennial-Eureka Dump

County : Juab
Township: 10 S R3W
Section: NW & NE 1/2 of NE 1/4 of Section 24



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

March 22, 1991

First Security Bank
Payson Office
95 North Main
Payson, Utah 84651

Attention: Barbara Butler

This is in regards to regulatory requirements of the statute and rules of the State of Utah, Division of Oil, Gas and Mining, governing the operation and reclamation of the Tintic Heap Leach Project, Permit Number M/023/007 operated by North Lily Mining Company.

A Certificate of Deposit will be issued by First Security Bank of Utah for \$158,900 for the automatically renewable term of five years in the name of the State of Utah, Division of Oil, Gas and Mining. The interest earned by the Certificate of Deposit for the first three months will be added back on to the Certificate of Deposit. After that, the interest earned will be dispersed quarterly and deposited in North Lily Mining Company's account. If the Certificate of Deposit is redeemed before five years and the penalty reduces the face value of \$158,900, the State of Utah, Division of Oil, Gas and Mining will go to North Lily Mining Company for reimbursement of that loss. If redeemed after five years, then \$158,900 will go to the State of Utah, Division of Oil, Gas and Mining and the remaining balance will go to North Lily Mining Company's account. The Certificate of Deposit can only be redeemed by the State of Utah, Division of Oil, Gas and Mining.

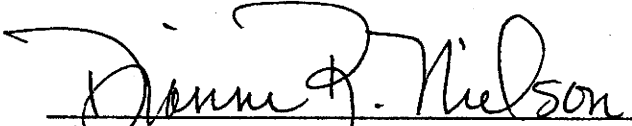
If the statute or rules of the State of Utah, Division of Oil, Gas and Mining are violated with respect to the operation or reclamation of the Tintic Heap Leach Project covered by this surety, the State of Utah, Division of Oil, Gas and Mining has the authority to call the Certificate of Deposit on demand for the full amount of \$158,900. Any loss due to an early redemption penalty will be the responsibility of North Lily Mining Company, and will not be the expense or responsibility of the State of Utah.

The Division Director's signature, Dianne R. Nielson (or the appropriate Division Director at that time), will be required to call the certificate or release said funds back to North Lily Mining Company.

Page 2
First Security Bank
North Lily Mining Company
March 22, 1991

First Security Bank of Utah will not be held liable for any dispute between the parties. These rules pertain to C.D. # ~~98853071272~~.

Agreed Upon by:


Dianne R. Nielson, Director
Division of Oil, Gas and Mining


Grant A. Pinkerton, General Manager
North Lily Mining Company

Tax I.D. Number ~~98853071272~~

Tax I.D. Number ~~98853071272~~

**First
Security
Bank
of Utah**

P.O. Box 279, 95 North Main Street • Payson, Utah 84651

March 28, 1991

RECEIVED

APR 01 1991

DIVISION OF
OIL GAS & MINING

Ms. Dianne R. Nielson, Director
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Dear Dianne:

We are writing this letter concerning the authorized closure of Certificate #~~074020~~ in the amount of \$158,900.00 maturing March 15, 1996, in the name of North Lily Mining for the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining. This certificate is enclosed as per your instruction. Bank policy states that only the authorized signature on the signature card or the appropriate Division Director at the time of redemption will be honored.

If you have any questions concerning these requirements, please feel free to call me at 465-9216.

Sincerely,

Barbara Butler

Barbara Butler
Account Representative

BB:dh

Enclosure

17111979

00048	Product Code	155	Account Number	17111979
Date of Deposit	03-15-96	Amount	*****158,900.00*****	
Interest Rate	07.500	Frequency of Rate Change	Fixed	
Maturity Date	03-15-96	Term	5YR	Frequency of Interest Payment
Automatic Renewal	YES	Notice	N/A	Interest Payment Method
Social Security or Tax ID Number	*****			

Received by Barbara Butler
Authorized Signature

Depositor Copy

Issued at (Office) Payson City and State Payson, Utah

Received of NORTH LILY MINING FOR State of Utah Dept of NATURAL RESOURCES, DIVISION OF OIL, GAS, & MINING

BOND *****
The Sum of One Hundred Eighty Five Thousand Nine Hundred and no/100 *****

Terms and Conditions. This deposit is subject to the terms and conditions stated on both sides of this Deposit Receipt and on the Deposit Conditions of the same account number issued herewith.
Interest Rate. Interest is calculated on a simple interest basis and paid as shown on this Deposit Receipt.
Frequency of Rate Change. If the interest rate on this deposit is subject to change during the term of the deposit, the frequency of change is shown on this Deposit Receipt.
Automatic Renewal. If automatic renewal is shown on this Deposit Receipt, this deposit shall be renewed for successive identical terms at each maturity date, at the then prevailing rate, unless payment is requested by the registered owner(s).
Notice Period. If the Bank reserves the right to require written notice prior to payment of this deposit, the notice period is shown on this Deposit Receipt.

SD-20A R 1/907Y

General Deposit Conditions

1. This deposit is a Time Deposit and is subject to all applicable rules and regulations of the Board of Governors of the Federal Reserve System and the Bank.
2. The Bank reserves the right not to renew this deposit at any maturity date upon mailing a notice of its election not to renew to the registered owner(s) at the address last shown on the Bank's records.
3. This deposit is payable only to the registered owner(s) upon proper identification acceptable to the Bank.
4. If this Deposit Receipt is issued to multiple original payees consisting of two or more natural persons, they shall hold this deposit with right of survivorship. This deposit (together with interest) is payable to any one of them during their joint lives. Upon the death of any of the multiple original payees, all of the right, title and interest to this deposit shall vest absolutely in the survivor or survivors, subject to all applicable tax statutes and regulations. Each of such persons shall be the agent of the other to give or receive any notice provided for herein or to take any other action pertaining to this deposit.
5. If this Deposit Receipt is issued with the added condition of "payable on death" to one or more persons, ownership of this deposit shall vest in the POD payee or payees only upon the death of all of the original payees and shall be otherwise governed by applicable statutes.
6. A substantial penalty for payment of this deposit prior to maturity may apply.
7. No interest is paid after maturity on single maturity accounts. Accounts that automatically renew may be redeemed without penalty until 10 days after maturity.
8. This deposit is not transferable except on the books of the Bank.

EX-12 R 4/87 10Y

FIRST SECURITY

Bank of Utah, N.A.

Payson

OFFICE

DEPOSITOR'S MAILING ADDRESS:

355 West No Temple

CITY: Salt Lake City

STATE: UT

ZIP:

84180- 0

PHONE:

(801)538-5340

IDENTIFICATION:

BIRTHPLACE:

DATE OF BIRTH:

MOTHER'S MAIDEN NAME:

01/01/0000

DOCUMENTS ON FILE:

☒ CORPORATE RESOLUTION - DATED _____

☒ CORRESPONDENCE HOLD AUTHORITY - DATED _____

☒ ORGANIZATION AUTHORITY - DATED _____

☐ OTHER _____ - DATED _____

TAXPAYER IDENTIFICATION NUMBER (TIN):

810193330

NAME OF TIN OWNER:

North Lily Mining

By signature below, I certify under penalty of perjury that the taxpayer identification (TIN) shown above is correct and I have checked the appropriate box below regarding my backup withholding status.

☐ I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS notified me that I am no longer subject to backup withholding.

☐ I am subject to backup withholding because I have been so notified by the IRS.

ACCOUNT NAME:

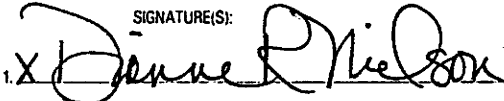
North Lily Mining

for Utah State Dept Natural Reso

(DEPOSIT INSTRUMENTS OWNED BY THE ABOVE ARE LISTED ON THE REVERSE SIDE)

SIGNATURE(S):

PRINT NAME/TITLE (if non-personal account)

1. X 

Dianne R Nielson, Director

2. X

Utah State Dept Natural Resource

3. X

Div Oil Gas & Mining

4. X

NUMBER OF SIGNATURES REQUIRED: 1

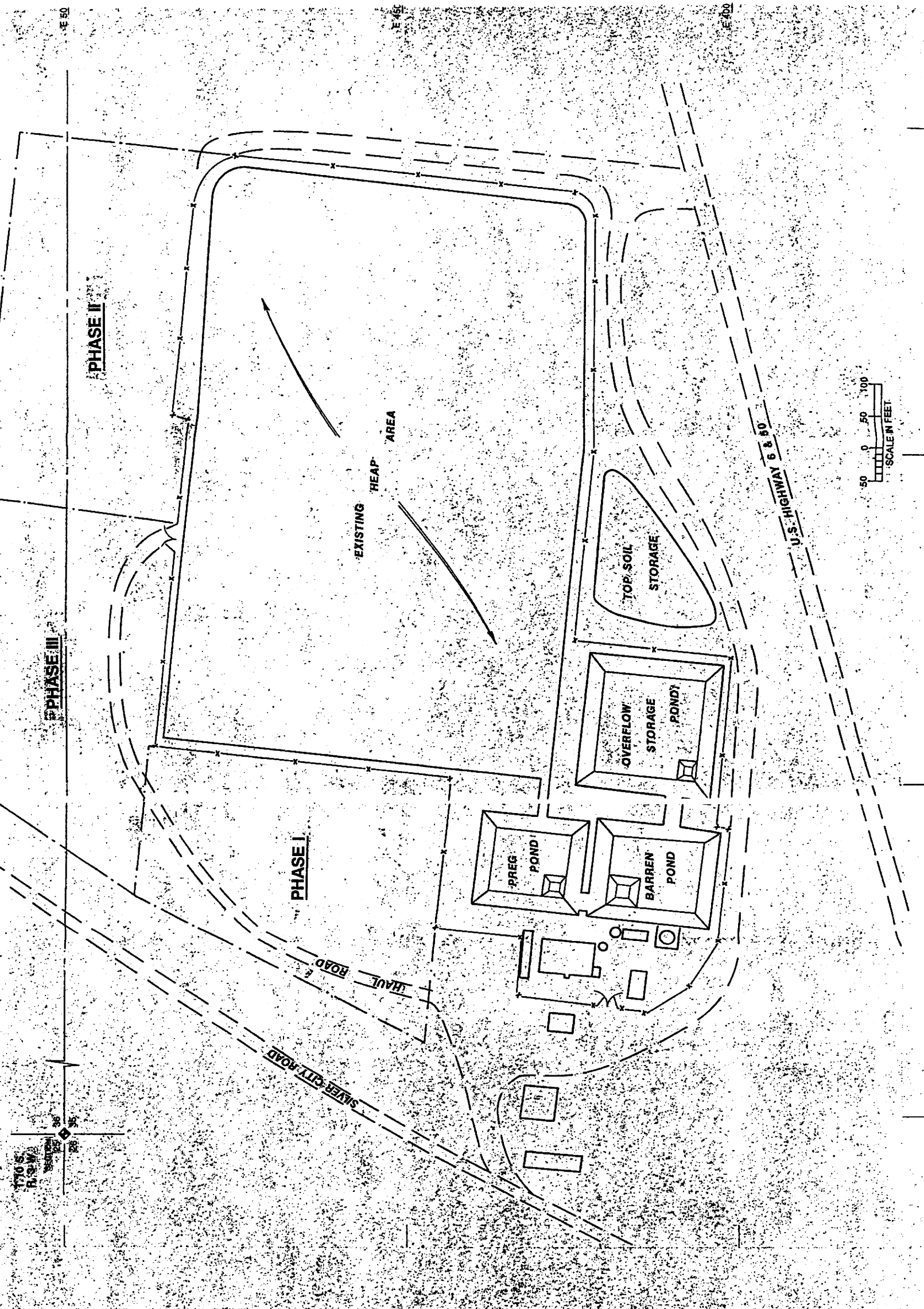
ANY _____ SIGNER(S). ALL _____ SIGNERS. ANY SIGNER ON LINES _____ ALONG WITH SIGNER ON LINE(S) _____

☒ HOLD ACCOUNT CORRESPONDENCE (DO NOT MAIL)

DEPOSITOR'S INITIALS _____

ALL INSTRUMENTS LISTED BELOW ARE ISSUED TO THE SAME OWNER(S). THE TIN SHOWN ON THE FRONT OF THIS CARD APPLIES TO ALL LISTED INSTRUMENTS.

[illegible]



SITE MAP